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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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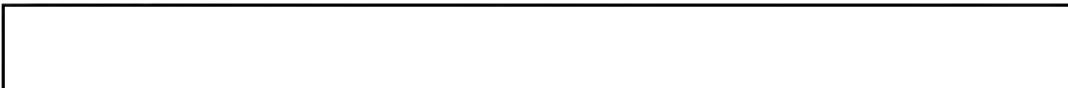
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**VIETNAM:** Communist-initiated military action remains relatively light on the major battlefronts in South Vietnam.

In the northern provinces, government forces have made further limited counterattacks against Communist concentrations north and west of Hue. Skirmishing continues in the highlands near Kontum City, but the expected major enemy attack has yet to develop. The Communists, who appear to have the forces in place to launch a full-scale assault, could be waiting for a prolonged spell of poor flying weather, which would hamper aerial counteraction. An Loc continues to be fairly quiet with the government relief force apparently making further progress toward the besieged town.

Fighting has increased in the southern delta, where North Vietnamese troops have attacked and partially overrun a district capital in Kien Giang Province that is astride the infiltration route from Cambodia. The fight for the town is still in progress. The Communists apparently are attempting to move several regiments of North Vietnamese troops from Cambodia through Chau Doc and Kien Giang provinces, probably into the U Minh Forest area of An Xuyen Province.

The relative lull in the fighting appears to have slowed the economic deterioration in South Vietnam caused by the initial Communist military successes and the generation of large numbers of refugees. The pace of economic activity nevertheless is still slow, and there are deepening signs of recession as consumers buy mainly only necessities and try to maintain the best cash position possible. Import orders are far below normal. Credit is also tight, but food prices have moved up only slightly.

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Some 200,000 tons of rice, about three percent of total production, already are estimated to have been lost from the 1972 crop as a result of the Communist offensive. Unless there is an increase in deliveries from the delta, a serious shortage could develop in the next month in the rice-deficit northern provinces, where most of the refugees are located.



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USSR-EGYPT: A new arms agreement may have been signed during Defense Minister Grechko's visit to Egypt.

The communiqué on 17 May states that the two sides have "coordinated practical steps" to implement an arms agreement concluded during President Sadat's trip to the USSR last month. Egyptian news media, however, are reporting that the agreement was signed during Grechko's visit.

The Soviets apparently have decided that some additional assistance to Egypt's defense establishment would strengthen Sadat's domestic position and improve Soviet-Egyptian relations. This move probably was timed to put the best possible face on Moscow's ties with Cairo prior to Soviet discussions of the Middle East situation with President Nixon. The Soviets may be particularly concerned to demonstrate their readiness to match recent US military aid agreements with Israel. Sadat himself appears to have increased the pressure on the Soviets with his two recent visits to Moscow and his public references to Soviet unwillingness to provide the Egyptians with "all of their needs." [REDACTED]

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WEST GERMANY: Both government and opposition are taking stock after the three-week ordeal over the Eastern treaties that left both without workable parliamentary majorities.

Ratification of the treaties should be guaranteed today when the opposition Christian Democrats, despite their 21-20 edge, allow the treaties to pass in the Bundesrat by the abstentions of one or more state governments. With opposition leader Barzel calling for an end to procrastination, Christian Democratic state leaders evidently decided yesterday not to delay the vote until 25 or 26 May.

This exigencies of the ratification struggle cost the Brandt-Scheel coalition its majority. It now claims only 248 Bundestag deputies, exactly half the membership. Brandt announced on 18 May that he now favors parliamentary elections before his term expires in the fall of 1973. He has said that he will revive efforts to seek Christian Democratic agreement to such elections, but he will also have to convince his reluctant Free Democratic partners, whose unity was severely buffeted during the ratification debate.

The Christian Democrats, who came off worst of all, are in no condition now to face early elections. The contest over the treaties opened deep divisions in the party and severely damaged Barzel's authority. Ratification, however, will remove an issue that would have posed considerable problems for the Christian Democrats in an election campaign. Party leaders are pointing out that ratification would not have been possible without their abstentions. There are signs that, rather than forcing new elections now, the opposition intends to maintain the parliamentary deadlock for several months, both to perpetuate the Brandt government's coalition weakness in pursuing domestic policy goals and to give itself time to bind up wounds.



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MALAGASY REPUBLIC: President Tsiranana has given "full powers" to armed forces chief of staff, General Gabriel Ramantsoa.

Tsiranana's exact status is unknown, but Ramantsoa wields complete authority in the capital. Ramantsoa said he would form an apolitical government made up of military and technicians.

Tsiranana's action was prompted by continuing demands for his ouster from students and workers, who had indicated they would continue their anti-government agitation until Tsiranana resigned. Their representatives are continuing preparations for a national congress to formulate specific demands for the reform of Malagasy society.

The French, who have a Foreign Legion battalion and paratroop battalion in Madagascar, have remained aloof from the crisis. The French Government's announcement on 17 May that it would not intervene may have removed the final obstacle to the army easing out Tsiranana.

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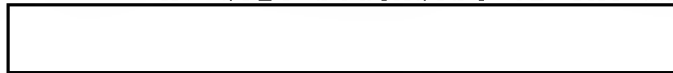
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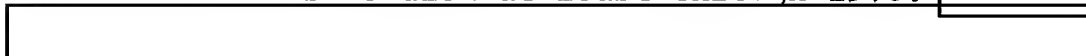
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USSR-CUBA: The F-class submarine that left Mariel on 15 May was off the Florida coast east of Cape Kennedy yesterday, apparently en route home. This diesel attack submarine had been in Cuba nearly ten weeks and was the last Soviet combatant in the Caribbean. A destroyer, submarine tender, and tanker that left Cuba earlier are also heading for home waters and were southwest of the Azores on 18 May.



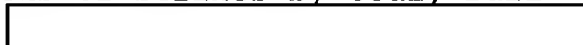
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FRANCE: The 1972 nuclear test series is scheduled to occur at the Pacific test center between late June and the end of July, according to the atomic affairs officer of the Foreign Ministry. He said the tests are to be low yield detonations of 20 kilotons or less. In contrast, earlier reports had indicated that at least one test this year would be a high yield thermonuclear explosion. This will be the 12th year of nuclear testing for the French, and tests are scheduled at least through 1976.



\* \* \* \*

UNITED KINGDOM: Unemployment has fallen below one million for the first time since the first of the year. The decrease of more than 100,000, the largest monthly drop in over 30 years, and an optimistic industrial trends survey, made by an independent manufacturers association, suggest that the expansionary fiscal policies of the Heath government may be having their desired impact on the economy. Britain's unemployment rate now stands at 3.8 percent, down from 4.2 percent in early April. A continued fall in unemployment also will relieve, somewhat, strains in the government's relations with labor groups, after months of strikes by coal, railway, and dock workers.



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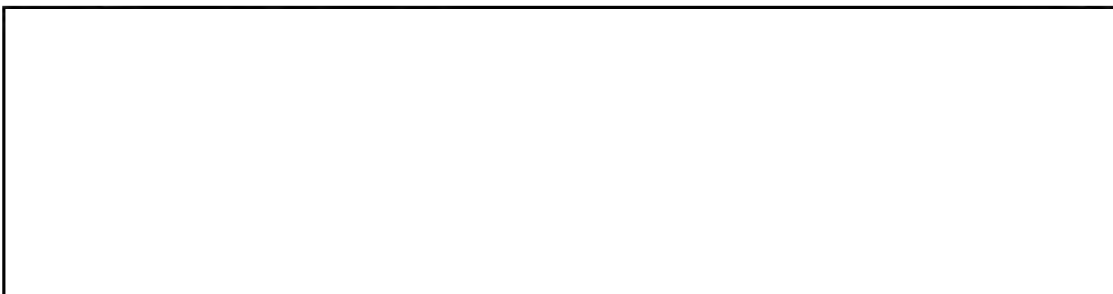
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CHINA-RWANDA: Peking has granted a \$22-million interest-free credit, Rwanda's first aid from a Communist country. The extremely liberal terms call for repayment in exports over 15 years beginning in 1987. The Chinese reportedly will improve the Rusumo road, construct a cement factory, and develop the Nyabarongo Valley. Additional projects may be decided upon later. The credit follows the visit of a Rwandan economic delegation to Peking in March and the subsequent announcement that China would asphalt the Kigali-Rusumo road, the only effective transport link to Tanzania. Peking extended aid to neighboring Burundi two months ago. [REDACTED]

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ZAIRE: President Mobuto Sese Seko has pardoned Cardinal Malula and will allow him to return to Zaire from exile in the Vatican. Malula presumably will be allowed to resume his duties as Archbishop of Kinshasa, but he will find considerable changes in the church's position since he was forced to leave in February when he attacked Mobutu's attempts to bring the church under government control. Party youth committees have been installed in all seminaries, and the government will not permit any church criticism of political decisions. Malula's differences with Mobutu are long-standing, however, and the Archbishop may well tangle with the president again. [REDACTED]

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CYPRUS: The labor dispute that closed Cyprus' commercial banks for seven weeks was settled yesterday. Employees have accepted a salary increase of 16 percent over three years and other improved benefits. Several months probably will be required to clear the \$26-million backlog of imports that accrued in the absence of banking services. [REDACTED]

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